

UNIFIED SCHOOL DISTRICT NO. 411

GOESSEL, KANSAS

Special Financial Statements

June 30, 2010

Unified School District No. 411

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June 30, 2010

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 411
Goessel, Kansas

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 411, Goessel, Kansas, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the District's 2009 financial statements and in our report dated February 3, 2010, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 411, Goessel, Kansas, as of June 30, 2010, or the results of its operations for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Primary Government of Unified School District No. 411, Goessel, Kansas, as of June 30, 2010, and its cash receipts and expenditures for the year then ended on the basis of accounting described in Note 1.

Knudsen, Monroe & Company, LLC

Certified Public Accountants

October 28, 2010

Unified School District No. 411

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended June 30, 2010

<u>FUNDS</u>	<u>Unencumbered Cash Balance 6-30-09</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures and Transfers</u>	<u>Unencumbered Cash Balance 6-30-10</u>	<u>Encumbrances 6-30-10</u>	<u>Cash Balance 6-30-10</u>
General							
General	\$ (154,069)	-	2,151,382	2,171,912	(174,599)	13,855	(160,744)
Supplemental general	(36,032)	9	651,803	652,000	(36,220)	7,601	(28,619)
Special revenue							
At Risk (K-12)	372	-	70,623	44,522	26,473	881	27,354
Capital outlay	771,646	-	52,007	66,646	757,007	29,481	786,488
Driver training	20,112	-	5,292	22,104	3,300	-	3,300
Food service	45,702	-	139,843	138,268	47,277	-	47,277
Professional development	20,342	-	10,000	7,563	22,779	199	22,978
Special education	277,095	-	386,569	403,836	259,828	-	259,828
Vocational education	51,569	-	75,328	82,897	44,000	-	44,000
KPERS special retirement contribution	-	-	112,251	112,251	-	-	-
Contingency reserve	203,423	-	13,426	-	216,849	-	216,849
Textbook and student material revolving	9,766	-	28,223	3,817	34,172	-	34,172
Recreation	21,800	-	26,288	27,000	21,088	-	21,088
Federal government programs	(1,759)	-	67,524	65,735	30	6,363	6,393
District activity funds							
Gate receipts	5,328	-	42,232	43,562	3,998	-	3,998
School projects	14,878	-	16,647	14,178	17,347	-	17,347
Debt service							
Bond and interest	115,544	-	213,593	216,967	112,170	-	112,170
Fiduciary							
Student organizations	-	-	73,580	73,580	-	23,620	23,620
	<u>\$ 1,365,717</u>	<u>9</u>	<u>4,136,611</u>	<u>4,146,838</u>	<u>1,355,499</u>	<u>82,000</u>	<u>1,437,499</u>

Unified School District No. 411
SUMMARY STATEMENT OF EXPENDITURES -
ACTUAL AND BUDGET
Year ended June 30, 2010

	<u>Certified Budget</u>	<u>Adjustment to Comply with Legal Max</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
General						
General	\$2,241,445	(72,959)	3,426	2,171,912	2,171,912	-
Supplemental general	652,000	-	-	652,000	652,000	-
Special revenue						
At Risk (K-12)	66,028	-	-	66,028	44,522	(21,506)
Capital outlay	622,000	-	-	622,000	66,646	(555,354)
Driver training	31,312	-	-	31,312	22,104	(9,208)
Food service	190,290	-	-	190,290	138,268	(52,022)
Professional development	20,342	-	-	20,342	7,563	(12,779)
Special education	697,740	-	-	697,740	403,836	(293,904)
Vocational education	151,569	-	-	151,569	82,897	(68,672)
KPERS special retirement contribution	138,259	-	-	138,259	112,251	(26,008)
Recreation	27,000	-	-	27,000	27,000	-
Debt service						
Bond and interest	216,968	-	-	216,968	216,967	(1)
	<u>\$5,054,953</u>	<u>(72,959)</u>	<u>3,426</u>	<u>4,985,420</u>	<u>3,945,966</u>	<u>(1,039,454)</u>
Add expenditures of unbudgeted funds						
Special revenue					127,292	
Fiduciary					73,580	
Total expenditures, Statement 1					<u>\$ 4,146,838</u>	

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
GENERAL				
Receipts				
Taxes				
Tax in process	\$ 11,013	7,897	2,514	5,383
Current tax	195,767	196,851	186,694	10,157
Delinquent tax	940	1,625	5,221	(3,596)
Mineral production tax	57	24	-	24
Machinery and equipment aid	2,327	-	-	-
ARRA stabilization funds	-	99,949	99,949	-
General state aid	1,797,521	1,569,245	1,626,419	(57,174)
Special education state aid	323,216	272,365	320,645	(48,280)
Reimbursements	-	3,426	-	3,426
	<u>2,330,841</u>	<u>2,151,382</u>	<u>2,241,442</u>	<u>(90,060)</u>
Expenditures				
Instruction	1,117,856	1,004,850	1,091,850	(87,000)
Instructional support	18,319	14,745	17,000	(2,255)
General administration	153,439	153,058	153,228	(170)
School administration	199,536	196,614	197,646	(1,032)
Operation and maintenance	272,491	323,347	290,650	32,697
Student transportation	121,836	128,241	120,346	7,895
Other support	41,914	42,465	41,124	1,341
Operating transfers	409,243	308,592	329,601	(21,009)
	<u>2,334,634</u>	<u>2,171,912</u>	<u>2,241,445</u>	<u>(69,533)</u>
Adjustment to comply with legal max	-	-	(72,959)	72,959
Adjustment for qualifying budget credits	-	-	3,426	(3,426)
Total expenditures	<u>2,334,634</u>	<u>2,171,912</u>	<u>2,171,912</u>	<u>-</u>
Receipts over (under) expenditures	(3,793)	(20,530)		
Unencumbered cash, beginning	<u>(150,276)</u>	<u>(154,069)</u>		
Unencumbered cash, ending	\$ (154,069)	(174,599)		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
SUPPLEMENTAL GENERAL				
Receipts				
Taxes				
Tax in process	\$ 13,778	10,326	4,256	6,070
Current tax	244,658	280,979	254,445	26,534
Delinquent tax	1,423	2,242	6,554	(4,312)
Vehicle tax	33,411	35,687	35,261	426
Machinery and equipment aid	1,529	-	-	-
ARRA stabilization funds	-	82,144	-	82,144
State aid	269,646	240,425	325,322	(84,897)
	<u>564,445</u>	<u>651,803</u>	<u>625,838</u>	<u>25,965</u>
Expenditures				
Instruction	236,374	319,144	319,000	144
Instructional support	1,309	16,441	5,000	11,441
General administration	-	-	6,000	(6,000)
School administration	12,771	5,753	12,000	(6,247)
Operation and maintenance	8,445	-	8,300	(8,300)
Operating transfers	346,101	310,662	301,700	8,962
	<u>605,000</u>	<u>652,000</u>	<u>652,000</u>	<u>-</u>
Receipts over (under) expenditures	(40,555)	(197)		
Unencumbered cash, beginning	4,523	(36,032)		
Prior year cancelled encumbrances	-	9		
Unencumbered cash, ending	\$ (36,032)	(36,220)		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
AT RISK (K-12)				
Receipts				
Transfers from other funds	\$ 50,500	70,623	65,656	4,967
Expenditures				
Salaries and benefits	44,389	43,641	61,328	(17,687)
Other	5,739	881	4,700	(3,819)
	<u>50,128</u>	<u>44,522</u>	<u>66,028</u>	<u>(21,506)</u>
Receipts over (under) expenditures	372	26,101		
Unencumbered cash, beginning	-	372		
Unencumbered cash, ending	<u>\$ 372</u>	<u>26,473</u>		
CAPITAL OUTLAY				
Receipts				
Taxes				
Tax in process	\$ 2,567	1,853	765	1,088
Current tax	43,958	-	-	-
Delinquent tax	274	419	1,178	(759)
Vehicle tax	6,549	6,584	6,491	93
Machinery and equipment aid	465	-	-	-
Interest	26,733	17,298	15,000	2,298
State aid	16,888	-	-	-
Transfers from other funds	10,000	19,071	-	19,071
Other	10,578	6,782	-	6,782
	<u>118,012</u>	<u>52,007</u>	<u>23,434</u>	<u>28,573</u>
Expenditures				
Equipment and furniture	32,872	57,532	480,000	(422,468)
Transportation equipment	83,036	9,114	90,000	(80,886)
Building improvements	1,582	-	52,000	(52,000)
	<u>117,490</u>	<u>66,646</u>	<u>622,000</u>	<u>(555,354)</u>
Receipts over (under) expenditures	522	(14,639)		
Unencumbered cash, beginning	771,124	771,646		
Unencumbered cash, ending	<u>\$ 771,646</u>	<u>757,007</u>		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
DRIVER TRAINING				
Receipts				
State aid	\$ 684	1,000	1,200	(200)
Other	3,700	3,300	-	3,300
Transfers from other funds	15,000	992	10,000	(9,008)
	<u>19,384</u>	<u>5,292</u>	<u>11,200</u>	<u>(5,908)</u>
Expenditures				
Salaries and benefits	18,768	21,856	27,712	(5,856)
Other	504	248	3,600	(3,352)
	<u>19,272</u>	<u>22,104</u>	<u>31,312</u>	<u>(9,208)</u>
Receipts over (under) expenditures	112	(16,812)		
Unencumbered cash, beginning	20,000	20,112		
Unencumbered cash, ending	<u>\$ 20,112</u>	<u>3,300</u>		
FOOD SERVICE				
Receipts				
Lunch sales	\$ 62,543	65,678	68,426	(2,748)
Federal aid	39,210	44,509	39,385	5,124
State aid	1,748	1,656	1,776	(120)
Other	783	-	-	-
Transfers from other funds	40,000	28,000	35,000	(7,000)
	<u>144,284</u>	<u>139,843</u>	<u>144,587</u>	<u>(4,744)</u>
Expenditures				
Salaries and benefits	60,114	58,674	67,050	(8,376)
Food	75,822	73,532	82,240	(8,708)
Supplies and other	5,746	6,062	41,000	(34,938)
	<u>141,682</u>	<u>138,268</u>	<u>190,290</u>	<u>(52,022)</u>
Receipts over (under) expenditures	2,602	1,575		
Unencumbered cash, beginning	43,100	45,702		
Unencumbered cash, ending	<u>\$ 45,702</u>	<u>47,277</u>		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
PROFESSIONAL DEVELOPMENT				
Receipts				
State aid	\$ 846	-	-	-
Transfers from other funds	7,000	10,000	-	10,000
	<u>7,846</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Expenditures				
Salaries and benefits	1,500	-	3,500	(3,500)
Tuition and interlocals	4,486	4,085	5,500	(1,415)
Supplies and other	1,518	3,478	11,342	(7,864)
	<u>7,504</u>	<u>7,563</u>	<u>20,342</u>	<u>(12,779)</u>
Receipts over (under) expenditures	342	2,437		
Unencumbered cash, beginning	<u>20,000</u>	<u>20,342</u>		
Unencumbered cash, ending	<u>\$ 20,342</u>	<u>22,779</u>		
SPECIAL EDUCATION				
Receipts				
Transfers from other funds	\$ 435,248	386,569	420,645	(34,076)
Expenditures				
Salaries and benefits	19,956	12,100	26,522	(14,422)
Vehicle expense and other	3,743	2,000	87,000	(85,000)
Payments to special education coop	434,454	389,736	584,218	(194,482)
	<u>458,153</u>	<u>403,836</u>	<u>697,740</u>	<u>(293,904)</u>
Receipts over (under) expenditures	(22,905)	(17,267)		
Unencumbered cash, beginning	<u>300,000</u>	<u>277,095</u>		
Unencumbered cash, ending	<u>\$ 277,095</u>	<u>259,828</u>		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
VOCATIONAL EDUCATION				
Receipts				
Transfers from other funds	\$ 131,569	75,328	100,000	(24,672)
Expenditures				
Salaries and benefits	80,960	82,897	131,075	(48,178)
Equipment and other	-	-	20,494	(20,494)
	<u>80,960</u>	<u>82,897</u>	<u>151,569</u>	<u>(68,672)</u>
Receipts over (under) expenditures	50,609	(7,569)		
Unencumbered cash, beginning	<u>960</u>	<u>51,569</u>		
Unencumbered cash, ending	<u>\$ 51,569</u>	<u>44,000</u>		
KPERS SPECIAL RETIREMENT CONTRIBUTION				
Receipts				
State KPERS aid	\$ 118,170	112,251	138,259	(26,008)
Expenditures				
Instruction	78,008	76,459	85,000	(8,541)
General administration	5,908	8,677	10,500	(1,823)
School administration	9,853	7,592	13,250	(5,658)
Other supplemental services	2,763	3,255	5,509	(2,254)
Operations and maintenance	8,272	7,591	9,000	(1,409)
Student transportation services	7,473	5,423	8,000	(2,577)
Food service	<u>5,893</u>	<u>3,254</u>	<u>7,000</u>	<u>(3,746)</u>
	<u>118,170</u>	<u>112,251</u>	<u>138,259</u>	<u>(26,008)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	<u>-</u>	<u>-</u>		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

	2009 <u>Actual</u>	<u>2010</u>		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
CONTINGENCY RESERVE				
Receipts				
Transfers from other funds	\$ 66,027	13,426		
Expenditures	-	-		NOT APPLICABLE
Receipts over (under) expenditures	66,027	13,426		
Unencumbered cash, beginning	137,396	203,423		
Unencumbered cash, ending	<u>\$ 203,423</u>	<u>216,849</u>		
TEXTBOOK AND STUDENT MATERIAL REVOLVING				
Receipts				
Fees	\$ 12,608	12,978		
Transfers from other funds	-	15,245		
	<u>12,608</u>	<u>28,223</u>		
Expenditures				
Materials	35,182	3,817		NOT APPLICABLE
Receipts over (under) expenditures	(22,574)	24,406		
Unencumbered cash, beginning	32,340	9,766		
Unencumbered cash, ending	<u>\$ 9,766</u>	<u>34,172</u>		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		
	2009			Variance
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Over
				<u>(Under)</u>
RECREATION				
Receipts				
Taxes				
Tax in process	\$ 1,172	901	371	530
Current tax	21,347	22,133	21,061	1,072
Delinquent tax	130	196	572	(376)
Vehicle tax	3,091	3,058	3,023	35
Machinery and equipment aid	240	-	-	-
	<u>25,980</u>	<u>26,288</u>	<u>25,027</u>	<u>1,261</u>
Expenditures				
Appropriation to recreation commission	<u>25,000</u>	<u>27,000</u>	<u>27,000</u>	-
Receipts over (under) expenditures	980	(712)		
Unencumbered cash, beginning	<u>20,820</u>	<u>21,800</u>		
Unencumbered cash, ending	\$ 21,800	21,088		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

	2010						2009 Total
	Title I ESEA	Title II-A Class Size Reduction	Title II-D Technology Education	Title IV Drug-Free	Title I Perkins	Small Rural Schools	
						Total	
FEDERAL GOVERNMENT PROGRAMS							
Receipts							
Federal and state grants	\$ 22,791	14,560	1,474	621	15,000	57,446	59,924
ARRA stabilization funds	9,649	-	429	-	-	-	-
Reallocation of grant proceeds	7,280	(7,280)	-	-	-	-	-
	39,720	7,280	1,903	621	15,000	67,524	59,924
Expenditures							
Salaries and benefits	39,634	-	-	-	659	-	29,378
Equipment and supplies	88	7,280	1,903	621	14,341	1,209	32,388
	39,722	7,280	1,903	621	15,000	1,209	61,766
Receipts over (under) expenditures	(2)	-	-	-	-	1,791	(1,842)
Unencumbered cash, beginning	2	-	-	-	-	(1,761)	83
Unencumbered cash, ending	\$ -	-	-	-	-	30	(1,759)

Legally adopted budget not applicable

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance Over Over (Under)
	2009 Actual	Actual	Budget	
BOND AND INTEREST				
Receipts				
Taxes				
Tax in process	\$ 6,620	4,362	1,800	2,562
Current tax	103,392	113,454	107,880	5,574
Delinquent tax	767	1,086	2,769	(1,683)
Vehicle tax	18,698	16,583	16,259	324
Machinery and equipment aid	2,219	-	-	-
State aid	78,268	78,108	77,766	342
	<u>209,964</u>	<u>213,593</u>	<u>206,474</u>	<u>7,119</u>
Expenditures				
Principal	165,000	170,000	170,000	-
Interest	52,412	46,967	46,968	(1)
	<u>217,412</u>	<u>216,967</u>	<u>216,968</u>	<u>(1)</u>
Receipts over (under) expenditures	(7,448)	(3,374)		
Unencumbered cash, beginning	<u>122,992</u>	<u>115,544</u>		
Unencumbered cash, ending	<u>\$ 115,544</u>	<u>112,170</u>		

Unified School District No. 411

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES

School Activity Funds

Year ended June 30, 2010

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
GATE RECEIPTS				
High school				
Athletics	\$ 4,570	40,350	41,675	3,245
Plays	758	1,882	1,887	753
Totals to Statement 1	<u>\$ 5,328</u>	<u>42,232</u>	<u>43,562</u>	<u>3,998</u>
SCHOOL PROJECTS				
High school				
Yearbooks	\$ 14,369	12,347	9,545	17,171
Other	540	1,351	1,715	176
Grade school				
Other	(31)	2,949	2,918	-
Totals to Statement 1	<u>\$ 14,878</u>	<u>16,647</u>	<u>14,178</u>	<u>17,347</u>

Unified School District No. 411

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES

School Activity Funds

Year ended June 30, 2010

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
STUDENT ORGANIZATIONS				
High school				
Student councils	\$ 2,688	14,275	13,508	3,455
Class of 2010	3,491	1,714	5,205	-
Class of 2011	1,898	5,693	4,712	2,879
Class of 2012	391	632	149	874
Class of 2013	-	732	113	619
FFA	963	17,318	16,213	2,068
FCCLA	2,025	3,081	2,172	2,934
Elbiata	1,292	605	134	1,763
Cheerleaders	239	1,117	819	537
Concessions	699	10,352	9,482	1,569
Trip fund	9,596	11,922	20,319	1,199
See	867	841	742	966
Biology river trip	11	-	11	-
Model UN	1	799	798	2
Other	632	200	-	832
Grade school				
Student council	456	348	174	630
4th, 5th and 6th Grade	2,481	3,625	3,989	2,117
Nature grant	877	-	375	502
Computer	447	140	-	587
Other	-	186	99	87
Total cash basis activity	29,054	73,580	79,014	23,620
Adjustments for encumbrances and payables	(29,054)	-	(5,434)	(23,620)
Totals to Statement 1	<u>\$ -</u>	<u>73,580</u>	<u>73,580</u>	<u>-</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 411, Goessel, Kansas, is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 411 (the primary government) as the only component unit.

The Goessel Recreation Commission which operates recreational programs within the District is a jointly governed organization. The District and the City of Goessel each appoint two members of the recreation commission board. Property taxes for the Goessel Recreation Commission are levied by the District.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year ended June 30, 2010:

Governmental Funds

General Funds - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Fund - to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

Fiduciary Funds

To account for assets held as an agent for individuals, other governmental units, private organizations, and/or other funds.

Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The District has approved a resolution that is in conformity with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the district are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Activity Funds

Under provisions of K.S.A. 72-8208a, the Board of Education adopted a resolution relating to the school activity fund which results in the activity funds being accounted for under policies and procedures of the Board. In these financial statements, student organization activity funds of the District are classified as fiduciary funds. District activity funds including gate receipts and school projects are classified as special revenue funds.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
2. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
3. Adoption of the final budget on or before August 25th.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

2. BUDGETARY INFORMATION (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

The budget of the general fund of a unified school district is based on estimated enrollment for the district. After the school year has begun, the enrollment for each district is audited by the Kansas Department of Education. This enrollment will determine the legal maximum budget for the district, and if this "legal max" budget is less than the adopted budget, the general fund budget of the district is automatically reduced to the computed amount. If this "legal max" budget is greater than the adopted budget, the District must amend the budget (see prior paragraph) to the "legal max" amount to have the additional budget authority. The District's general fund budget for the year ended June 30, 2010 was reduced to the "legal max" of \$2,168,486.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for fiduciary funds and the following special revenue funds:

- Contingency reserve
- Textbook and student material revolving
- Federal government programs
- Activity fund accounts

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or the use of internal spending limits established by the governing body.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no investment policy that would further limit interest rate risk.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

3. DEPOSITS AND INVESTMENTS (Continued)

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District has not designated peak periods. All deposits were legally secured at June 30, 2010.

At June 30, 2010, the carrying amount of the District's deposits was \$1,437,499. The bank balance totaled \$1,627,956. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$317,254 was covered by FDIC insurance with the remaining \$1,310,702 collateralized with securities held by the pledging financial institution's agents in the District's name.

Composition of Cash and Investments

The cash and investments of the District at June 30, 2010, consisted of the following:

The Citizens State Bank, Goessel

Interest bearing

Regular account (NOW account)	\$ (165,982)
Premium investment account	1,550,516
High school activity fund	42,287
Grade school activity fund	4,673
Scholarship fund	<u>5</u>
Total interest bearing deposits	1,431,499

Demand account

Petty cash fund	1,000
Medical reimbursement account	<u>5,000</u>
Total cash	\$ <u>1,437,499</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

4. GENERAL LONG-TERM DEBT

Changes in long-term debt for the District for the year ended June 30, 2010, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Balance 6-30-09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6-30-10</u>	<u>Interest Paid</u>
General Obligation Bonds:									
Refinancing issue									
Series 2002	2.00-4.20%	9/15/2002	\$2,130,000	4/1/2016	<u>\$1,215,000</u>	<u>-</u>	<u>170,000</u>	<u>1,045,000</u>	<u>46,967</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

<u>Period ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2011	175,000	41,018	216,018
2012	185,000	34,718	219,718
2013	190,000	27,780	217,780
2014	200,000	20,180	220,180
2014	210,000	12,180	222,180
2015-16	<u>85,000</u>	<u>3,570</u>	<u>88,570</u>
Total	<u>\$1,045,000</u>	<u>139,446</u>	<u>1,184,446</u>

5. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 established the KPERs member-employee contribution rate at 4% of covered salary. Member-employees contributions are withheld by their employer and paid to KPERs according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. The contribution rate for the state for the period from July 1, 2009, through June 30, 2010, was 8.57% of covered payroll. These contribution requirements are established by KPERs and are periodically revised. Kansas' contributions to KPERs for all Kansas public school employees for the years ending June 30, 2010, 2009 and 2008 were \$248,468,186, \$242,277,363 and \$220,815,154 respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

6. COMPENSATED ABSENCES

Vacation

Full-time staff who work all twelve months of the year earn annual vacations of one to four weeks depending upon position and length of employment. Teachers and other staff working for the District less than twelve months each contract year do not receive paid vacations. Unused vacation time has not been recorded as a liability in the accompanying financial statements.

Sick Leave

Full-time certified and classified personnel earn twelve days of sick leave per year cumulative to a maximum of seventy-five days. Regularly employed personnel working less than full time earn sick leave on a pro-rated basis per year cumulative to a maximum of forty-five days. Unused sick leave is not paid to terminating employees. Unused sick leave has not been recorded as a liability in the accompanying financial statements.

7. INTERFUND TRANSACTIONS

Operating transfers during the year ended June 30, 2010, were as follows:

<u>To</u>	<u>From</u>		<u>Title II-A</u>	<u>Total</u>
	<u>General</u>	<u>Supplemental General</u>		
At-Risk (K-12)	\$ 2,526	68,097	-	70,623
Capital Outlay	19,071	-	-	19,071
Driver Training	-	992	-	992
Food Service	-	28,000	-	28,000
Professional Development	-	10,000	-	10,000
Special Education	273,569	113,000	-	386,569
Vocational Education	-	75,328	-	75,328
Contingency Reserve	13,426	-	-	13,426
Textbook Revolving	-	15,245	-	15,245
Title I ESEA	-	-	7,280	7,280
	<u>\$ 308,592</u>	<u>310,662</u>	<u>7,280</u>	<u>626,534</u>

Transfers from the general fund are authorized by KSA 72-6428 and transfers from the supplemental general fund are authorized by KSA 72-6433.

8. SUBSEQUENT EVENTS

Management has evaluated the effects on the financial statements of events occurring through October 28, 2010, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

9. COMPLIANCE WITH KANSAS STATUTES

Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) requires the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes.

STATUTORY REVENUES AND EXPENDITURES -
STATUTORY AND BUDGET
Year ended June 30, 2010

	Statutory <u>Transactions</u>	Budget	Variance Over (Under)
GENERAL			
Statutory revenues			
Taxes			
Tax in process	\$ 7,897	2,514	5,383
Current tax	196,851	186,694	10,157
Delinquent tax	1,625	5,221	(3,596)
Mineral production tax	24	-	24
ARRA stabilization funds	99,949	99,949	-
General state aid	1,589,774	1,626,419	(36,645)
Special education state aid	272,365	320,645	(48,280)
Reimbursements	3,426	-	3,426
	<u>2,171,911</u>	<u>2,241,442</u>	<u>(69,531)</u>
Expenditures			
Instruction	1,004,850	1,091,850	(87,000)
Instructional support services	14,745	17,000	(2,255)
General administration	153,058	153,228	(170)
School administration	196,614	197,646	(1,032)
Operation and maintenance	323,347	290,650	32,697
Student transportation	128,241	120,346	7,895
Other support	42,465	41,124	1,341
Operating transfers	308,592	329,601	(21,009)
Adjustment to comply with legal max	-	(72,959)	72,959
Legal general fund budget	2,171,912	2,168,486	3,426
Adjustment for qualifying budget credits	-	3,426	(3,426)
Total expenditures	<u>2,171,912</u>	<u>2,171,912</u>	<u>-</u>
Revenue over (under) expenditures	(1)		
Modified unencumbered cash, beginning	3		
Modified unencumbered cash, ending	<u>\$ 2</u>		

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

9. COMPLIANCE WITH KANSAS STATUTES (Continued)

Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d) (Continued)

STATUTORY REVENUES AND EXPENDITURES -
STATUTORY AND BUDGET
Year ended June 30, 2010

	Statutory <u>Transactions</u>	<u>Budget</u>	Variance Over <u>(Under)</u>
SUPPLEMENTAL GENERAL			
Statutory revenues			
Taxes			
Tax in process	\$ 10,326	4,256	6,070
Current tax	280,979	254,445	26,534
Delinquent tax	2,242	6,554	(4,312)
Vehicle tax	35,687	35,261	426
ARRA stabilization funds	82,144	-	82,144
Supplemental state aid	241,771	325,322	(83,551)
	<u>653,149</u>	<u>625,838</u>	<u>27,311</u>
Expenditures			
Instruction	319,144	319,000	144
Instructional support	16,441	5,000	11,441
General administration	-	6,000	(6,000)
School administration	5,753	12,000	(6,247)
Operation and maintenance	-	8,300	(8,300)
Operating transfers	310,662	301,700	8,962
	<u>652,000</u>	<u>652,000</u>	<u>-</u>
Revenue over (under) expenditures	1,149		
Modified unencumbered cash, beginning	26,162		
Prior year cancelled encumbrances	9		
Modified unencumbered cash, ending	<u>\$ 27,320</u>		

	<u>General</u>	<u>Supplemental General</u>
RECONCILIATION - STATE AID		
General state aid - cash received	\$ 1,569,245	240,425
Less received July 2009 for year ended June 30, 2009	(154,072)	(62,194)
Add received July 2010 for year ended June 30, 2010	<u>174,601</u>	<u>63,540</u>
Statutory revenue - above	<u>\$ 1,589,774</u>	<u>241,771</u>